

WASATCH COUNTY SCHOOL DISTRICT
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
AND
FINANCIAL STATEMENTS

June 30, 2006

HANSEN, BARNETT & MAXWELL
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

WASATCH COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountants	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	15
Statement of Assets and Liabilities – Agency Fund	16
Notes to the Basic Financial Statements	17
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	30

Supplementary Information – Combining and Individual Fund Statements and Schedules:

Budget to Actual Comparisons:

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Major Capital Projects Fund	31
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Major Debt Service Fund	32

Nonmajor Special Revenue Funds:

Combining Balance Sheet – Nonmajor Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	34
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non K-12 Programs – Nonmajor Special Revenue Fund	35
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances – Wasatch Education Foundation – Nonmajor Special Revenue Fund	36
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Food Services – Nonmajor Special Revenue Fund	37

Agency Fund:

Statement of Changes in Assets and Liabilities – Student Activities Agency Fund	38
--	----

HANSEN, BARNETT & MAXWELL

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

5 Triad Center, Suite 750
Salt Lake City, UT 84180-1128
Phone: (801) 532-2200
Fax: (801) 532-7944
www.hbmcpas.com

Registered with the Public Company
Accounting Oversight Board



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Education
Wasatch County School District
Heber City, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wasatch County School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis included on pages 3 to 9 and budgetary comparison information on page 30 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information on pages 31 to 32 and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison information and the combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Hansen Barnett & Maxwell". The script is cursive and fluid, with the ampersand being particularly stylized.

HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
September 28, 2006

Management's Discussion and Analysis

The following discussion and analysis of the Wasatch County School District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2006.

Financial Highlights

Net assets - The District's net assets, as shown in the entity-wide statement of net assets, exceeded liabilities by \$23,199,837 at the end of the fiscal year as compared to \$17,228,251 at the end of June 30, 2005. This amount represents total assets less liabilities.

Fund balance -- The District was able to increase its general fund balance from \$658,578 at June 30, 2005, to \$1,885,067 by June 30, 2006. This was accomplished by a diligent effort to control costs and limit spending to essential elements, as well as a sustained effort by the Board of Education to secure taxation levels that ensure adequate funding for the District, as stated in the Board's Strategic Plan adopted on July 17, 2003. This represents a significant effort on the part of the District to maintain fiscal accountability.

Bond election – Subsequent to the completion of the year ended June 30, 2006, in the General Election held November 7, 2006, the Board of Education presented to the public a proposition to issue \$59,500,000 in general obligation bonds for the purpose of building a new high school. This new high school would replace the current high school, the core of which was built in 1962. The proposition passed by a margin of 67% to 33%. The high school will be bid in February, 2007, with construction scheduled to begin early in the Spring of 2007. The building will be completed in 2009, ready to be occupied when school begins in August of 2009.

Construction activity – In April 2005, the District began work on a new elementary school. This school is the fourth elementary school in the District, and together with the addition to an existing elementary school, has helped to ease the overcrowding in the elementary schools. Construction was completed in July, 2006, and was open for the beginning of the school year in August 2006.

State revenues – The 2003 Utah State Legislature altered the public education funding landscape beginning with the fiscal year 2003. State funding totaled \$14,344,207 for fiscal 2006 as compared to \$12,659,613 for fiscal 2005. The legislature adopted a "block grant" funding model to deal with state budget shortfalls and give more flexibility to local districts.

Other cost issues – Interest revenues of \$441,030 for fiscal 2006 as compared to \$235,296 for fiscal 2005 increased due to higher interest rates and higher cash balances. Health insurance costs continue to rise by 10 – 12% each year.

Federal funding - Federal revenues totaled \$2,018,714 for fiscal 2006 as compared to \$1,742,745 for fiscal 2005. The District is pursuing all available Federal funding.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements can be found on pages 10 and 11.

Fund financial statements - A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate financial compliance with legal requirements. The fund financial statements provide detailed information about the most significant funds, not the District as a whole. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds - All of the District's day-to-day operations are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other three governmental funds (Non K-12, Food Services, and the Wasatch County School District Foundation) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 to 16.

Fiduciary fund - The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 16.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 to 29.

Other information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 30 to 38.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The District had total net assets of \$23,199,837 at June 30, 2006 and \$17,228,251 at June 30, 2005. The District has noncurrent liabilities comprised principally of outstanding bonded debt of \$22,723,664 at June 30, 2006 and \$24,728,318 at June 30, 2005. In addition, the noncurrent liabilities include a line of credit and lease arrangement with a bank in connection with the financing of the North School construction, and early retirement obligations to former District employees. Capital assets are used to provide services to students in the form of school buildings, buses, computers, furniture, etc. Consequently, these assets are not available for future spending needs. The District's unrestricted net assets were \$1,480,040 at June 30, 2006 as compared to \$305,739 as of June 30, 2005. The District's unrestricted net assets are expected to increase each year as the debt is paid off.

An additional portion of the District's net assets, \$3,454,518, represents resources that are subject to external restrictions on how they may be used. These restrictions relate to debt service reserves, capital projects, the school lunch and Non K-12 programs, and the education foundation. The following is a summary of the net assets as of June 30, 2006 and 2005:

Net Assets (Governmental Activities)

	2006	2005
Current and other assets	\$ 21,824,348	\$ 26,564,975
Capital assets	40,562,325	29,897,210
Total assets	<u>62,386,673</u>	<u>56,462,185</u>
Long-term liabilities outstanding	22,723,664	24,728,318
Other liabilities	16,463,172	14,505,615
Total liabilities	<u>39,186,836</u>	<u>39,233,933</u>
Net assets:		
Invested in capital assets, net of related debt	18,265,279	5,542,751
Restricted	3,454,518	11,379,761
Unrestricted	1,480,040	305,739
Total net assets	<u>\$ 23,199,837</u>	<u>\$ 17,228,251</u>

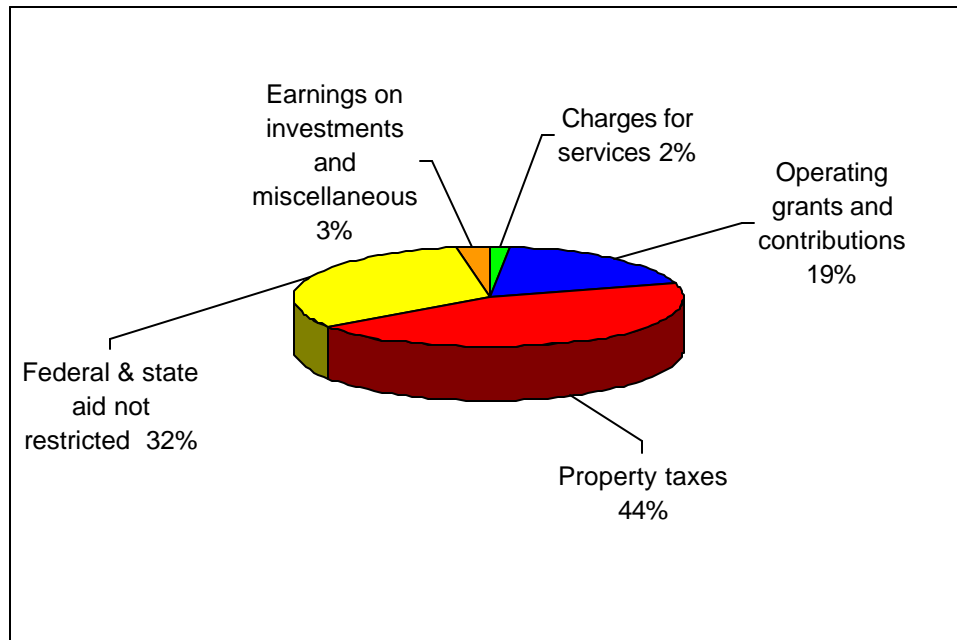
Governmental Activities

Net assets increased by \$5,971,586 during fiscal year 2006. The following summarizes the year's revenues, expenses and change in net assets for the years ended June 30, 2006 and 2005:

Changes in Net Assets

	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 582,998	\$ 526,991
Operating grants and contributions	6,029,863	5,731,659
General revenues:		
Property taxes	14,564,304	12,749,232
Federal and state aid not restricted to specific purposes	10,322,859	8,704,050
Earnings on investments	450,179	235,296
Gain on sale of assets	283,446	-
Miscellaneous	134,901	106,414
Total revenues	<u>32,368,550</u>	<u>28,053,642</u>
Expenses:		
Instructional services	16,183,383	17,406,389
Supporting services:		
Students	870,298	554,287
District administration	810,144	632,383
School administration	1,667,171	1,156,043
Operation and maintenance of facilities	2,561,224	2,358,607
Transportation	1,357,792	1,219,650
School lunch services	1,210,146	1,081,430
Non-instructional services	760,310	258,483
Interest on long-term liabilities	976,496	918,214
Total expenses	<u>26,396,964</u>	<u>25,585,486</u>
Increase in net assets	<u>5,971,586</u>	<u>2,468,156</u>
Net assets – beginning	<u>17,228,251</u>	<u>14,760,095</u>
Net assets – ending	<u><u>\$ 23,199,837</u></u>	<u><u>\$ 17,228,251</u></u>

Revenues by Source - Governmental Activities



Financial Analysis of the District's Funds

Governmental funds - The focus of the District's governmental funds is to provide information on how money flows into and out of the funds and to show balances left at year-end available for spending. Under Utah law, it is illegal to budget for an undesignated fund balance. This is in alignment with the concept that the revenues provided to a District are intended to be used during the period for which they were generated. That is to say that at the beginning of a fiscal year, undesignated fund balance is budgeted to be \$0. If over the course of the year, the difference between budgeted and actual revenues and expenditures leaves an unspent balance, that unspent balance must be budgeted to be used in normal operations during the next fiscal year so as to prevent a District from accumulating excess funds.

Fund balances may (and in some cases must) be reserved or designated and carried over to the next year for specific purposes. As those specific purposes are part of next year's budget and are identified as specific reservations and/or designations of fund balances, they are not available for appropriation. Fund balances for the capital projects and other governmental funds are restricted by State law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

Utah law allows for an undistributed reserve fund balance not to exceed 5% of the general fund budget.

Total fund balances in the governmental funds were \$5,339,585 as of June 30, 2006 and \$12,038,339 as of June 30, 2005. Each fund experienced an increase in fund balance, except for the capital projects fund, which decreased as the construction projects were completed at year end.

General fund - The general fund is the primary operating fund of the District. Unreserved and undesignated fund balance in the general fund was \$1,879,867 as of June 30, 2006 compared to \$653,378 as of June 30, 2005. The only reserve in the general fund was for an inventory advance of \$5,200 as of June 30, 2006 and 2005 relating to the District's participation in Northeastern Utah Educational Services which acts as a buying cooperative for nine school districts.

General Fund Budgetary Highlights

The Board of Education revised the 2005-2006 budget during the year. Budget amendments reflected changes in programs and related funding. The difference between the original budget and the final amended budget did not affect the total amount of budgeted expenditures. The changes represented increases in instructional services and operation and maintenance of plant, offset by decreases in student support services, general administration, and school administration services.

Final budgeted revenues remained at \$23,123,256. The amended revenue figures reflected increases in interest and other local revenues, as well as state revenues.

Final actual expenditures were \$48,000 below the amended budget. This was an accumulation of positive variances in each expense area. Final revenues were \$278,000 higher than had been anticipated in the amended budget.

Capital Asset and Debt Administration

Capital Assets - The capital projects fund accounts for the costs incurred for acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The following chart summarizes Capital Assets at June 30, 2006 and 2005:

Capital Assets (Net of Depreciation)

	2006	2005
Land	\$ 733,318	\$ 605,713
Construction in progress	11,346,893	1,182,902
Buildings and improvements	27,139,059	26,909,734
Vehicles	1,133,618	905,681
Furniture and equipment	209,437	293,180
Total capital assets	<u>\$ 40,562,325</u>	<u>\$ 29,897,210</u>

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration - The District has debt relating to general obligation bonds, a line of credit with a bank, and early retirement benefits payable to former District employees.

Total debt reductions during the year included regularly scheduled payments of \$2,195,000 in principal retirement on existing bonds. The District made payments of \$25,000 on its line of credit for fiscal 2006. Early retirement benefits to former District employees increased during the year by \$156,400.

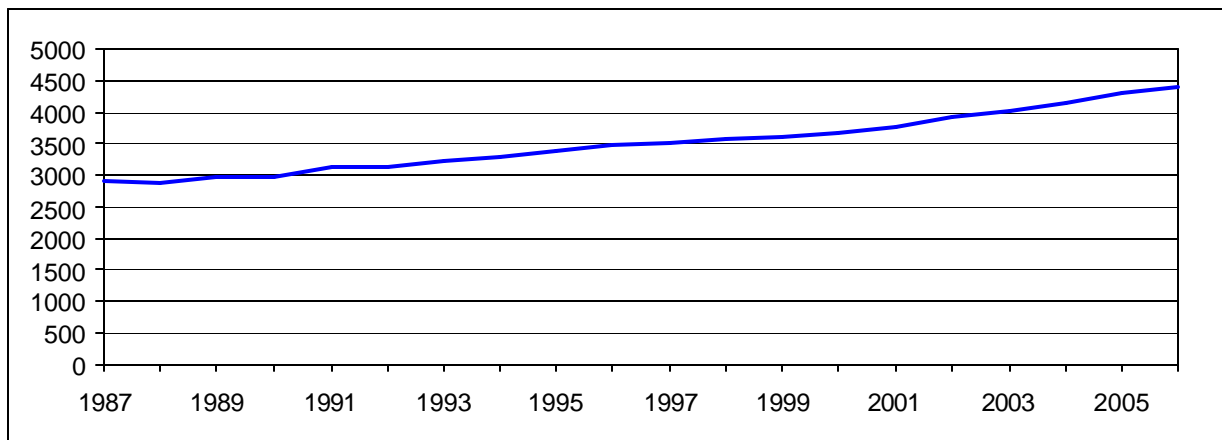
The general obligation bonded debt is limited by Utah law to 4% of the fair market value of the total taxable property. The current unused legal debt capacity is \$82,043,523.

Student Enrollment

Student enrollment has steadily increased since 1990. The County has experienced growth due to its favorable living environment and general economic growth. As a result, property values have increased significantly as new people have moved in. Some businesses have located in the area which has attracted new employees. Also, because of the close proximity of Park City, and the Salt Lake and Provo Valleys to the County, other people have moved into the area but continue to work outside the County's boundaries and commute to their jobs.

The District constructed the Heber Valley elementary school in 1997 and also remodeled the Midway elementary school that same year to accommodate more students. In addition, a new middle school was completed in 2000. Completion of Old Mill Elementary and the addition to JR Smith Elementary occurred during 2006. Student enrollment is expected to increase steadily into the foreseeable future. The District will continue to deal with the increases to ensure that its students receive the best of educational opportunities.

Student Enrollment History, 1987 Through 2006



Fiscal Year

Requests for Information

This financial report is designed to provide our citizens, taxpayers, students and all other interested parties with a general overview of the District's finances and to show accountability for tax dollars. If you have questions about this report or need additional financial information, contact the Treasurer and Business Administrator, Wasatch School District, 101 East 200 North, Heber City, UT 84032.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

WASATCH COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 6,327,469
Receivables:	
State	44,537
Federal	1,112,255
Property taxes	14,246,536
Advance to related party	5,200
Inventories	36,081
Bond issuance costs, net	52,270
Capital assets:	
Land, construction in progress, and water stock	12,080,211
Other capital assets, net of depreciation	<u>28,482,114</u>
Total Assets	<u>62,386,673</u>
LIABILITIES	
Current liabilities	
Accounts payable	2,338,463
Accrued interest	30,679
Deferred revenues:	
Property taxes	14,078,517
Other local	15,513
Noncurrent liabilities:	
Due within one year	2,266,148
Due in more than one year	<u>20,457,516</u>
Total Liabilities	<u>39,186,836</u>
Net Assets	
Invested in capital assets, net of related debt	18,265,279
Restricted for:	
Food services	153,689
Non K-12 programs	130,469
Capital projects	1,121,027
Foundation	67,180
Debt service	1,982,153
Unrestricted	<u>1,480,040</u>
Total Net Assets	<u><u>\$ 23,199,837</u></u>

The accompanying notes are an integral part of these financial statements.

**WASATCH COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities					
Instructional services	\$ 16,183,383	\$ 72,578	\$ 4,563,844	\$ --	\$ (11,546,961)
Support services:					
Student and instructional staff	870,298	--	53,029	--	(817,269)
General administration	810,144	--	--	--	(810,144)
School administration	1,667,171	--	--	--	(1,667,171)
Operation and maintenance of plant	2,561,224	--	--	--	(2,561,224)
Student transportation	1,357,792	--	688,647	--	(669,145)
School lunch services	1,210,146	493,279	693,594	--	(23,273)
Non-instructional services	760,310	17,141	30,749	--	(712,420)
Interest on long-term liabilities	976,496	--	--	--	(976,496)
Total school district	<u>\$ 26,396,964</u>	<u>\$ 582,998</u>	<u>\$ 6,029,863</u>	<u>\$ --</u>	<u>\$ (19,784,103)</u>
General revenues					
Property taxes levied for:					
General purposes					8,149,677
Capital outlay					3,127,048
Debt service					3,287,579
Federal and state aid not restricted to specific purposes					10,322,859
Earnings on investments					450,179
					283,446
Miscellaneous					<u>134,901</u>
Total general revenues					<u>25,755,689</u>
Change in net assets					5,971,586
Net Assets - Beginning					<u>17,228,251</u>
Net Assets - Ending					<u>\$ 23,199,837</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**WASATCH COUNTY SCHOOL DISTRICT
BALANCE SHEET—GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 4,266,082	\$ 391,630	\$ 1,281,700	\$ 388,057	\$ 6,327,469
Receivables:					
State	44,537	--	--	--	44,537
Federal	1,112,255	--	--	--	1,112,255
Property taxes	7,514,160	3,113,156	3,191,967	427,253	14,246,536
Advance to related party	5,200	--	--	--	5,200
Due from other funds	--	1,533,239	--	--	1,533,239
Inventories	--	--	--	36,081	36,081
Total Assets	<u>\$ 12,942,234</u>	<u>\$ 5,038,025</u>	<u>\$ 4,473,667</u>	<u>\$ 851,391</u>	<u>\$ 23,305,317</u>
Liabilities and Fund Balances					
Liabilities					
Accrued liabilities	\$ 2,085,931	\$ --	\$ 191,164	\$ 61,368	\$ 2,338,463
Deferred revenues					
Property taxes	7,437,997	3,055,872	3,161,476	423,172	14,078,517
Other local	--	--	--	15,513	15,513
Due to other funds	1,533,239	--	--	--	1,533,239
Total Liabilities	<u>11,057,167</u>	<u>3,055,872</u>	<u>3,352,640</u>	<u>500,053</u>	<u>17,965,732</u>
Fund Balances:					
Fund balances:					
Reserved:					
Reserved for inventories and advance	5,200	--	--	20,568	25,768
Unreserved	1,879,867	1,982,153	1,121,027	330,770	5,313,817
Total Fund Balances	<u>1,885,067</u>	<u>1,982,153</u>	<u>1,121,027</u>	<u>351,338</u>	<u>5,339,585</u>
Total Liabilities and Fund Balances	<u>\$ 12,942,234</u>	<u>\$ 5,038,025</u>	<u>\$ 4,473,667</u>	<u>\$ 851,391</u>	<u>\$ 23,305,317</u>

The accompanying notes are an integral part of these financial statements.

**WASATCH COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET—GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 5,339,585
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

	Cost of the assets	\$ 56,320,660	
	Accumulated depreciation	<u>(15,758,335)</u>	40,562,325

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(30,679)
---	----------

Bond issue costs are reported as expenditures in the governmental funds. The cost is \$78,406 and accumulated amortization is \$17,424.	52,270
---	--------

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

	General obligation bonds	(21,658,476)	
	Line of credit	(638,570)	
	Early retirement compensation	<u>(426,618)</u>	<u>(22,723,664)</u>

Total net assets - governmental activities	\$ <u>23,199,837</u>
---	-----------------------------

The accompanying notes are an integral part of these financial statements.

**WASATCH COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Local Sources:					
Taxes	\$ 7,756,047	\$ 3,287,579	\$ 3,105,058	\$ 415,620	\$ 14,564,304
Interest	261,095	--	179,935	--	441,030
Other	182,890	--	--	533,959	716,849
State sources	13,788,171	--	141,170	414,866	14,344,207
Federal sources	1,413,769	--	--	604,945	2,018,714
Total Revenues	<u>23,401,972</u>	<u>3,287,579</u>	<u>3,426,163</u>	<u>1,969,390</u>	<u>32,085,104</u>
Expenditures					
Instructional services	15,761,391	--	1,189,549	16,305	16,967,245
Support services:					
Student and instructional staff	853,576	--	--	--	853,576
General administration	785,030	--	--	--	785,030
School administration	1,647,714	--	--	--	1,647,714
Operation and maintenance of plant	1,895,090	--	534,872	--	2,429,962
Student transportation	1,232,682	--	--	--	1,232,682
School lunch services	--	--	--	1,160,128	1,160,128
Non-instructional services	--	--	--	744,005	744,005
Facilities acquisition and construction	--	--	10,183,674	--	10,183,674
Debt service:					
Principal retirement	--	2,195,000	24,907	--	2,219,907
Interest and fiscal charges	--	880,613	37,567	--	918,180
Total Expenditures	<u>22,175,483</u>	<u>3,075,613</u>	<u>11,970,569</u>	<u>1,920,438</u>	<u>39,142,103</u>
Excess of Revenues Over (Under) Expenditures	<u>1,226,489</u>	<u>211,966</u>	<u>(8,544,406)</u>	<u>48,952</u>	<u>(7,056,999)</u>
Other financing sources:					
Sale of property and equipment	--	--	358,245	--	358,245
Total other financing sources	<u>--</u>	<u>--</u>	<u>358,245</u>	<u>--</u>	<u>358,245</u>
Net change in fund balances	1,226,489	211,966	(8,186,161)	48,952	(6,698,754)
Fund Balances - Beginning	<u>658,578</u>	<u>1,770,187</u>	<u>9,307,188</u>	<u>302,386</u>	<u>12,038,339</u>
Fund Balances - Ending	<u>\$ 1,885,067</u>	<u>\$ 1,982,153</u>	<u>\$ 1,121,027</u>	<u>\$ 351,338</u>	<u>\$ 5,339,585</u>

The accompanying notes are an integral part of these financial statements.

**WASATCH COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds \$ (6,698,754)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Total capital outlay	\$ 11,775,975	
Gain on sale of capital assets	(74,799)	
Depreciation expense	<u>(1,036,061)</u>	10,665,115

The governmental funds report line of credit proceeds as an other financing source, while repayment of principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets. The net effect of these differences is as follows:

Principal payments on line of credit	24,906
--------------------------------------	--------

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 2,195,000	
Interest expense - general obligation bonds	9,283	
Amortization of bond issuance costs	(8,712)	
Amortization of deferred charge - refunding	(78,496)	
Amortization of bond premium	<u>19,609</u>	2,136,684

In the statement of activities, certain operating expenses -- special termination salary (early retirement) -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, early retirement salary payable decreased by the following:

(156,365)

Change in net assets of governmental activities

\$ 5,971,586

The accompanying notes are an integral part of these financial statements.

**WASATCH COUNTY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2006**

	Student Activities Fund
	<hr/>
Assets:	
Cash	\$ 604,826
	<hr/>
Liabilities:	
Due to student groups	\$ 604,826
	<hr/>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

WASATCH COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of Wasatch County School District (the District) are in compliance with accounting principles generally accepted in the United States of America applicable to governmental units in general and Utah school districts in particular. The following is a summary of the more significant policies:

Reporting Entity – The District is a legally separate, fiscally independent government entity of the State of Utah with its own elected governing body.

The Board of Education, comprised of five elected individuals, is the governing authority for the District. The Board establishes District policies, approves the budget, appoints a superintendent with responsibilities for administering all educational activities of the District, and appoints a business administrator/clerk-treasurer with responsibilities for fiscal matters. In addition, the Board is authorized to issue bonds, incur short-term debt, and levy ad velorum taxes. All funds, including financial activity over which the Board has governance, are included in the financial statements.

In evaluating how to define the government, for financial reporting purposes, the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board's (GASB) Statement No. 14. GASB Statement No. 39 provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. The criteria include the following:

- The organization is legally separate.
- The primary government holds the corporate powers of the organization.
- The primary government appoints a voting majority of the organization's board.
- The primary government is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the primary government.
- There is fiscal dependency on the primary government by the organization.
- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

As required by accounting principles generally accepted in the United States of America, these financial statements include all the fund types of the District and the Wasatch County School District Foundation, a blended component unit described below, for which the District is considered to be financially accountable. The blended component unit as described below, although legally separate, is in substance, part of the District's operations. The District is not a component unit of any other government.

Blended Component Unit. The Wasatch County School District Foundation, a nonprofit organization under IRS regulations, raises tax-deductible donations to be used for educational purposes within the District. The Foundation exclusively services the District. The Foundation's Board is comprised of 11 members, who serve a term of 4 years. The Foundation's Board appoints all members. The Foundation is presented as a special revenue fund of the District. Financial information specific to the Foundation may be obtained by writing the Foundation at 101 East 200 North, Heber City, UT 84032.

Government-Wide and Fund Financial Statements – The government-wide financial statements (i.e. the statement of net assets and statement of changes in net assets) report on all of the nonfiduciary activities of the District and Foundation. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District considers revenues are available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, early retirement, and early retirement healthcare benefits, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual because of legal and other requirements and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

- The *general fund* (maintenance and operation fund) is the primary operating fund of the District and accounts for all revenues and expenditures not designated to other funds.
- The *debt service fund* is used to account for funds accumulated for the retirement of general obligation principal, interest, and other related costs.

- The *capital projects fund* (capital outlay fund) is used to account for the acquisition, construction, and maintenance of capital facilities by the District.

The following are classified as non major governmental funds:

- The nonmajor governmental funds are comprised of three separate special revenue funds. The Non K-12 Programs Fund is statutorily segregated to account for financing as authorized by Utah state law. The Food Services Fund is deemed to be a special revenue fund as a result of substantial local, state, and federal subsidies. The Foundation is a blended component unit described above.

Additionally, the District reports the following fund types:

- The District maintains two agency funds to account for assets held by the District as an agent for employees, other organizations, or other funds of the District.

The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations. This accounting reflects the District's fiduciary responsibility with the student activity organizations.

The Fiscal Program Agency Fund is used to pass monies from the State to Northeastern Utah Education Services (the Center) and account for payroll services provided by the District for the Center.

Comparative Data – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position.

Budget Policies and Procedures – Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are legally required and have been adopted for all governmental fund types. However, budgets are not adopted on a District level for the Wasatch County School District Foundation and the agency fund. Unencumbered annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. The laws of the State govern budget policies. The following procedures are used in establishing the budgetary data reflected in the financial statements.

1. For the fiscal year beginning July 1, the business administrator and superintendent prepare a tentative budget which is presented to the Board of Education by the superintendent on or before June 1. By resolution, the Board of Education legally adopts the final budget prior to June 15, after a public hearing has been held.
2. Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the superintendent, but increased appropriations require a public hearing prior to amending the budget.
3. Interim adjustments of estimated revenues and appropriations, during fiscal year 2006, have been included in the final budget approved by the Board on June 20, 2006, as presented in the financial statements.
4. As determined by the state superintendent of public instruction, the level by which expenditures may not legally exceed appropriations is the total budget of a given fund.

Encumbrances – An encumbrance accounting system, in which purchase orders for the expenditure of funds are recorded to restrict that portion of the applicable appropriation, is used in all funds except the Foundation and the Agency funds. Encumbrances outstanding at the end of the fiscal year are reported as a fund balance reserve. No encumbrances were outstanding at year-end.

Cash and Investments – For purposes of efficient cash flow management and the management of temporary investments, the District utilizes a pooled arrangement for its cash. Interest is allocated based on management approval. Interfund borrowing occurs when a fund overdraws its equity in the pool.

The District's investments in the State Treasurer's Investment Pool (an external investment pool) are valued at fair value (based on the corresponding liability to pool participants) according to the provisions of GASB 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The District has also adopted GASB Statement No. 40, "Deposits and Investment Risk Disclosures."

Due To/From Other Funds – Outstanding balances resulting from transactions between funds as of June 30, 2006 consist of the following:

Fund	Due From Other Funds	Due to Other Funds
General	\$ -	\$ 1,533,239
Debt Service	1,533,239	-
Total	\$ 1,533,239	\$ 1,533,239

Inventories – Inventories for the Food Services Fund are valued at cost, which approximates market. Inventories at June 30, 2006, consist of purchased food items of \$20,568 along with U.S. Department of Agriculture surplus commodities of \$15,513 contributed by the federal government.

Purchased food is reported using the purchase method (charged to expenditures when purchased rather than when used) and accordingly, the inventory asset amount is reported on the balance sheet and, a reservation of fund balance for purchased food held at the end of the year has been established to convey that the inventories are not available for discretionary expenditure.

Capital Assets – Capital assets include both depreciable and non-depreciable assets and are reported in the government-wide financial statements. Non-depreciable assets include land and current construction in progress. Depreciable assets include buildings and improvements, vehicles, and equipment. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, vehicles and equipment and \$100,000 for buildings and improvements and land improvements. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance or repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and improvements, land improvements, vehicles, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Modular units	20
Buses and vehicles	10 to 15
Office equipment/furniture	10
Computer equipment	3 to 5

Deferred Revenue – Deferred revenues arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures and when property taxes are received before the fiscal year for which the taxes were levied. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Compensated Absences – Full time employees earn varying amounts of vacation and sick leave according to salary classification and years of employment. Vacation leave accrues at 10 to 15 days per year. The unused balance carries forward. Accrued unused vacation days are paid in full at termination or retirement at the then current pay rate. Sick leave accrues at up to 10 days per year. A maximum of up to 130 days may be accumulated. Ten dollars per day will be paid for accumulated sick leave at the time of retirement.

Long-Term Obligations – Certain obligations incurred by the District are expected to be liquidated with future financial sources and are reported in the general long-term debt account group.

NOTE 2—CASH DEPOSITS AND INVESTMENTS

Cash Deposits – The District's carrying amount of bank deposits at June 30, 2006 is \$2,381,096 and the bank balance is \$3,406,483, \$100,000 of which is covered by federal depository insurance. No deposits are collateralized.

Deposit Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State of Utah does not require collateral on deposits.

Investments – The District's deposits and investment policy follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Chapter 7) in handling its depository and temporary investing transactions. This law requires the depositing of District funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. Allowable investments under the Act include:

1. Negotiable or nonnegotiable deposits of qualified depositories,
2. Repurchase agreements with qualified depositories or primary reporting dealers,

3. Commercial paper which is rated P-1 by Moody's Investor Services or A-1 by Standard and Poors if the remaining term to maturity is 180 days or less,
4. Bankers' acceptances that are eligible for discount at a federal reserve bank and which have a remaining term of 180 days or less,
5. Obligations of the United States Treasury, including bills, notes and bonds,
6. Obligations issued by or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporations, or Student Loan Marketing Association.
7. Shares or certificates in any open-end management investment company registered with the Securities and Exchange under the Investment Company Act of 1940, the portfolio of which is restricted by law or agreement to investments in which public funds may be invested directly.

A State Money Management Council was created under the State Money Management Act consisting of five individuals appointed by the Governor and qualified by training and experience in the fields of investing and finance. In performing its functions and responsibilities, the council provides a measure of depository protection. The council issues a list of qualified depositories to public treasurer's quarterly, and monitors the maximum amount of public funds each depository is eligible to hold in accordance with the law and the rules of the council. State law and council rules govern the finance reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, the public treasurers are notified immediately. The District considers the actions of the Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

The District has invested the majority of its temporarily idle funds (totaling \$3,879,192 as of June 30, 2006) with the State Treasurer's Investment Fund. The investments with the State bore interest at 5.00% at June 30, 2006. The carrying amount is equal to fair value. All securities comprising the State Treasurer's Investment Fund comply with strict investment criteria required by the Utah Money Management Act. All practices of the Fund are under the monthly scrutiny of the Utah Money Management Act. The Utah State Auditor audits the Fund each year. The degree of risk of the fund depends upon the underlying portfolio. Parties interested in learning what specific investments comprise the State Treasurer's Fund may contact the Utah State Treasurer's Office.

The Wasatch County School District Foundation has separate cash and investments not included in the State Treasurer's Investment Fund and District cash. The Foundation has its idle funds invested with Oppenheimer Funds and Zions First National Bank. The funds (totaling \$67,181 as of June 30, 2006) are invested primarily in unrated money market funds, mutual funds and other securities with no stated maturity dates.

Investment Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Summary – The above described Cash Deposits and Investments are summarized and presented in the financial statements at fair value in accordance with the following analysis:

Cash Deposits	\$ 2,381,096
Investments in State Treasurer's Pool (at fair value)	3,879,192
Wasatch County School District Foundation (at fair value)	<u>67,181</u>
Total Cash Deposits and Investments	<u>\$ 6,327,469</u>

NOTE 3–PROPERTY TAXES

The property tax revenues for Wasatch County School District are levied, collected, and distributed by Wasatch County as required by Utah state law. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess property as of January 1 and complete the tax rolls by May 15. As of January 1, a legally enforceable claim exists and in effect a lien is placed on the property. By July 22, the county treasurer is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the county board of equalization between August 15 and August 29 for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date of November 30.

As of June 30, 2006, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2006 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected as the county treasurer may force the sale of the property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the financial statements. The remaining portion is reported as deferred revenue.

As of June 30, 2006, the District had accrued a property tax receivable of \$14,246,536. This accrual represents calendar year 2006 property taxes and is due to be collected by November 30, 2006.

NOTE 4-CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 605,713	\$ 162,955	\$ (35,350)	\$ 733,318
Construction in progress	1,182,902	10,163,991	--	11,346,893
Total capital assets not being depreciated:	<u>1,788,615</u>	<u>10,326,946</u>	<u>(35,350)</u>	<u>12,080,211</u>
Capital assets being depreciated:				
Buildings and improvements	39,285,947	1,042,355	--	40,328,302
Vehicles	2,638,267	246,945	(146,326)	2,738,886
Equipment	1,322,674	159,729	(309,142)	1,173,261
Total capital assets, being depreciated:	<u>43,246,888</u>	<u>1,449,029</u>	<u>(455,468)</u>	<u>44,240,449</u>
Accumulated depreciation for:				
Buildings and improvements	(12,376,213)	(813,030)	--	(13,189,243)
Vehicles	(1,732,586)	(142,375)	269,693	(1,605,268)
Equipment	<u>(1,029,494)</u>	<u>(80,656)</u>	<u>146,326</u>	<u>(963,824)</u>
Total accumulated depreciation	<u>(15,138,293)</u>	<u>(1,036,061)</u>	<u>416,019</u>	<u>(15,758,335)</u>
Total capital assets, being depreciated, net	<u>28,108,595</u>	<u>412,968</u>	<u>(39,449)</u>	<u>28,482,114</u>
Governmental activities capital assets, net	<u>\$ 29,897,210</u>	<u>\$ 10,739,914</u>	<u>\$ (74,799)</u>	<u>\$ 40,562,325</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities:

Instructional services	\$ 729,361
Supporting services:	
Student & instructional staff	16,722
General administration	25,114
School administration	19,457
Operation & maintenance of plant	70,280
Student transportation	125,109
School lunch services	<u>50,018</u>
Total depreciation expense, governmental activities	<u>\$ 1,036,061</u>

NOTE 5—LONG TERM OBLIGATIONS

A summary of the changes in long-term obligations for the year ended June 30, 2006, are as follows:

	June 30, 2005	Additions	Reductions	June 30, 2006	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 24,155,000	\$ --	\$ (2,195,000)	\$ 21,960,000	\$ 2,195,000
Deferred amounts for issuance premium	189,063	--	(19,609)	169,454	19,609
Deferred amounts on refunding	(549,474)	--	78,496	(470,978)	(78,496)
Total bonds payable, net	23,794,589	--	(2,136,113)	21,658,476	2,136,113
Obligations under capital lease	-	--	--	--	--
Line of credit	663,476	--	(24,906)	638,570	24,906
Early retirement benefits payable	270,253	297,270	(140,905)	426,618	105,129
Totals	<u>\$ 24,728,318</u>	<u>\$ 297,270</u>	<u>\$ (2,301,924)</u>	<u>\$ 22,723,664</u>	<u>\$ 2,266,148</u>

General Obligation Bonds Payable – The District has issued general obligation school building bonds for the acquisition and construction of school buildings.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding at June 30, 2006, are as follows:

Purpose	Interest Rates	Amount
\$11,700,000 general obligation school building bonds, issued January 15, 1997, due in annual installments of \$1,060,000 to \$1,110,000, through June 2007.	4.70% to 5.63%	\$ 1,110,000
\$13,450,000 general obligation school bonds, issued July 9, 1998, due in annual installments of \$810,000 to \$885,000, through June 2008.	4.50%	1,735,000
\$9,860,000 general obligation school bonds, issued November 3, 2003, due in annual installments of \$135,000 to \$1,240,000, through June 2012.	2.5% to 3.75%	9,605,000
\$9,700,000 general obligation school bonds, issued January 1, 2005 due in installments of \$190,000 to \$1,180,000 through June 2020.	3.89%	9,510,000
Total		<u>\$ 21,960,000</u>

Future debt service requirements to maturity for general obligation bonds outstanding at June 30, 2006, are as follows:

Fiscal Year(s) Ended June 30,	Principal	Interest	Total
2007	2,300,000	777,367	3,077,367
2008	2,370,000	703,532	3,073,532
2009	2,455,000	622,368	3,077,368
2010	2,525,000	548,718	3,073,718
2011	2,610,000	467,194	3,077,194
2012 to 2016	5,270,000	1,460,365	6,730,365
2017 to 2020	4,430,000	452,400	4,882,400
Total	\$ 21,960,000	\$5,031,944	\$ 26,991,944

Defeased Bonds – In November 2003, the District defeased certain general obligation bonds by placing the proceeds of the new refunding bonds in an irrevocable trust escrow account to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the statement of net assets. At June 30, 2006, \$10,085,000 general obligation bonds outstanding are considered defeased.

Line of Credit – The District entered into a lease/purchase agreement with a bank in order to finance the completion of the North School remodel project. The agreement provides a mechanism whereby the District leases to the bank the North School and surrounding property. The Bank will then, through construction draws, finance the remaining portion of the North School remodel. At the completion of the remodel the bank will sublease back to the district the property for the amount the District leases the property to the bank, plus \$1, plus the amount to be determined based on the principal amount of construction draws. Title for the building automatically passes to the District at the end of the lease.

The lease is a one-year lease with twenty optional one-year renewal periods. An annual payment is due on June 1 and commenced on June 1, 2003. The lease accrues interest at 75% of the bank's prime lending rate, to be determined on the first business day of each month, and is payable in monthly installments. The maximum principal amount provided for by the agreement is \$1,500,000.

Future debt service requirements to maturity for the line of credit outstanding at June 30, 2006, are as follows:

Fiscal Year(s) Ended June 30,	Principal	Interest	Total
2007	24,590	39,403	63,993
2008	26,003	37,990	63,993
2009	27,612	36,381	63,993
2010	29,321	34,672	63,993
2011	31,135	32,858	63,993
2012 to 2016	187,068	132,897	319,965
2017 to 2021	252,561	67,404	319,965
2022	60,280	3,730	64,010
Total	\$ 638,570	\$ 385,335	\$ 1,023,905

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2006 was \$104,642,093. The general obligation debt and line of credit at June 30, 2006 were \$21,960,000 and \$638,570, respectively, resulting in a legal debt margin of \$82,043,523.

Early Retirement Benefits Payable — In addition to the retirement plans discussed in Note 6, the District provides an early retirement incentive program. Eligibility is restricted to teachers and administrators meeting minimum service and age requirements. Those qualifying under this program, who choose to retire early, may receive benefits for up to three consecutive years. At year end, twenty retirees had a total of \$426,618 in benefits that are accrued as noncurrent liabilities due within one year in the statement of net assets.

NOTE 6—RETIREMENT PLANS

Plan Description — The district contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah State Retirement Systems (Systems). Utah State Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy — Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the District is required to contribute 8.89% of their annual covered salary. In the State and School Noncontributory Retirement System the District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District contributions to the State and School Contributory Retirement System for the years ending June 30, 2006, 2005, and 2004 were \$1,799, \$2,891, and \$1,456, respectively, and for the Noncontributory Retirement System the contributions for June 30, 2006, 2005, and 2004 were \$1,785,404, \$1,570,659, and \$1,367,983, respectively. The contributions were equal to the required contributions for each year.

All full-time employees are also eligible to participate in a defined contribution 401(k) retirement benefit. These funds are administered by the Utah State Retirement System at the option of the employee. The District is required by Utah State law to contribute 1.5% of eligible salaries towards the benefit on behalf of employees participating in the noncontributory PERS as described above. The District is not required to and does not contribute to a benefit on behalf of employees participating in the contributory PERS as described above. Employees are not required to contribute to their 401(k). Employees who participate in the 401(k) retirement benefit become fully vested at the time of the first contribution regardless of length of service. The District contributed \$261,796 (representing 1.5% of eligible salaries) during the fiscal year ended June 30, 2006 towards the 401(k) retirement benefit on behalf of employees participating in the noncontributory plan. Employee contributions were \$381,034 for the year ended June 30, 2006.

NOTE 7—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured against these occurrences through participation in the Utah State School District's Risk Management Pool administered by the Utah State Risk Management Office as in addition to umbrella coverage provided by private insurance organizations.

NOTE 8—RELATED PARTY TRANSACTIONS

The District is a member of the Northeastern Utah Educational Services (the Center). The Center was organized in 1972 under the sponsorship of the Wasatch County School District, and with the assistance of eight other school districts in the State, to provide support services and act as a buying cooperative. Transactions with the Center are recorded in the Fiscal Program Agency Fund. The District acts as the financial agent for the Center and receives state appropriations which it immediately forwards to the Center. During the year ended June 30, 2006, \$494,139 was received from various sources and forwarded to the Center.

In addition, the District serves as a payroll service bureau for the Center. For the fiscal year ended June 30, 2006, the District handled \$359,463 in payroll plus retirement and other payroll related items for the Center.

At June 30, 2006, the Center owed the District a total of \$5,200 as an inventory advance. The Center has an annual audit performed, which can be obtained directly from the Center.

The District also acts as a payroll service bureau for an unrelated entity, the Children At-Risk Extended School (CARES) program. At June 30, 2006, the total payroll with retirement and other

payroll related items that the Program reimbursed the District was \$31,127.

NOTE 9–RESERVED FUND BALANCES

Reservations of fund balance show amounts that are not appropriate for expenditure or are legally restricted for specific uses. The purpose for each is indicated by the account title on the face of the balance sheet.

NOTE 10–OTHER LOCAL DEFERRED REVENUES

Other local deferred revenues at June 30, 2006, consist of the following:

Special Revenue Fund: USDA food inventory \$15,513

NOTE 11–COMMITMENTS AND CONTINGENCIES

School Finance - The District receives financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could be a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2006.

NOTE 12–DEFERRED COMPENSATION 457 PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District contract employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all assets and rights purchased with those amounts, and all income attributable to those amounts, assets or rights are solely the assets and rights of the employee (without being restricted to the provisions of benefits under the Plan), and are not subject to the claims of the District's general creditors.

Employees who elect to participate in the plan do so via payroll deductions. On behalf of those employees, the District forwards their deductions to a third party administrator (the Utah State Retirement System) who acts as trustee for the employees' investment. All plan assets are held in trust by a third party administrator. In accordance with GASB 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the District has not included these assets in its investments. The District has no trustee responsibilities or claim on these funds.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**WASATCH COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Local Sources:				
Property taxes	\$ 7,827,740	\$ 7,827,740	\$ 7,756,047	\$ (71,693)
Interest	125,000	265,000	261,095	(3,905)
Other local sources	85,200	175,200	182,890	7,690
State aid	12,832,689	13,425,217	13,788,171	362,954
Federal aid	<u>1,430,099</u>	<u>1,430,099</u>	<u>1,413,769</u>	<u>(16,330)</u>
Total revenues	<u>22,300,728</u>	<u>23,123,256</u>	<u>23,401,972</u>	<u>278,716</u>
Expenditures:				
Current:				
Instructional services	16,152,918	16,442,918	15,761,391	681,527
Supporting services:				--
Students and instructional staff	726,586	911,586	853,576	58,010
General administration	870,360	930,360	785,030	145,330
School administration	1,587,915	1,677,915	1,647,714	30,201
Operation and maintenance of plant	1,748,697	1,896,225	1,895,090	1,135
Student transportation	<u>1,214,252</u>	<u>1,264,252</u>	<u>1,232,682</u>	<u>31,570</u>
Total expenditures	<u>22,300,728</u>	<u>23,123,256</u>	<u>22,175,483</u>	<u>947,773</u>
Net changes in fund balances	--	--	1,226,489	1,226,489
Fund balances - beginning	<u>658,578</u>	<u>658,578</u>	<u>658,578</u>	<u>--</u>
Fund balances - ending	<u>\$ 658,578</u>	<u>\$ 658,578</u>	<u>\$ 1,885,067</u>	<u>\$ 1,226,489</u>

**SUPPLEMENTARY INFORMATION—
COMBINING AND INDIVIDUAL FUND STATEMENTS**

WASATCH COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—
BUDGET AND ACTUAL—MAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Local Sources:				
Taxes	\$3,095,266	\$3,095,266	\$ 3,105,058	\$ 9,792
Interest	--	180,000	179,935	(65)
State sources	--	141,170	141,170	--
Total Revenue	3,095,266	3,416,436	3,426,163	9,727
Expenditures				
Instructional services	776,983	1,183,668	1,189,549	(5,881)
Operation of maintenance of plant	652,661	652,661	534,872	117,789
Facilities acquisition and construction	10,322,141	10,675,622	10,183,674	491,948
Debt service:				
Principal retirement	353,481	25,000	24,907	93
Interest and fiscal charges	--	37,750	37,567	183
Total Expenditures	12,105,266	12,574,701	11,970,569	604,132
Excess of Revenue Over (Under)				
Expenditures	(9,010,000)	(9,158,265)	(8,544,406)	613,859
Other financing sources:				
Sale of property	225,000	373,265	358,245	(15,020)
General obligation bonds issued	--	--	--	--
Bond premium	--	--	--	--
Total other financing sources	225,000	373,265	358,245	(15,020)
Net changes in fund balances	(8,785,000)	(8,785,000)	(8,186,161)	598,839
Beginning Fund Balance	9,307,188	9,307,188	9,307,188	--
Ending Fund Balance	\$ 522,188	\$ 522,188	\$ 1,121,027	\$ 598,839

WASATCH COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—
BUDGET AND ACTUAL—MAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Taxes	\$ 3,076,288	\$ 3,295,867	\$ 3,287,579	\$ (8,288)
Total Revenue	<u>3,076,288</u>	<u>3,295,867</u>	<u>3,287,579</u>	<u>(8,288)</u>
Expenditures				
Debt service:				
Principal retirement	2,195,000	2,195,000	2,195,000	--
Interest and fiscal charges	<u>881,288</u>	<u>1,100,867</u>	<u>880,613</u>	<u>220,254</u>
Total Expenditures	<u>3,076,288</u>	<u>3,295,867</u>	<u>3,075,613</u>	<u>220,254</u>
Excess of Revenue Over				
Expenditures	--	--	211,966	211,966
Beginning Fund Balance	<u>1,770,187</u>	<u>1,770,187</u>	<u>1,770,187</u>	<u>--</u>
Ending Fund Balance	<u><u>\$ 1,770,187</u></u>	<u><u>\$ 1,770,187</u></u>	<u><u>\$ 1,982,153</u></u>	<u><u>\$ 211,966</u></u>

**WASATCH COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue			Total
	Non K-12 Programs	Food Services	Wasatch County School District Foundation	Nonmajor Governmental Funds
Assets				
Cash	\$ 126,388	\$ 194,489	\$ 67,180	\$ 388,057
Local receivables	--	--	--	--
State receivables	--	--	--	--
Federal receivables	--	--	--	--
Property tax receivables	427,253	--	--	427,253
Inventories	--	36,081	--	36,081
Total Assets	<u><u>\$ 553,641</u></u>	<u><u>\$ 230,570</u></u>	<u><u>\$ 67,180</u></u>	<u><u>\$ 851,391</u></u>
Liabilities and Fund Equity				
Liabilities				
Accrued liabilities	\$ --	\$ 61,368	\$ --	\$ 61,368
Deferred revenues				
Property taxes	423,172	--	--	423,172
Other local	--	15,513	--	15,513
Due to other funds	--	--	--	--
Total Liabilities	<u>423,172</u>	<u>76,881</u>	<u>--</u>	<u>500,053</u>
Fund Balances				
Reserved for inventories	--	20,568	--	20,568
Unreserved	130,469	133,121	67,180	330,770
Total Fund Balances	<u>130,469</u>	<u>153,689</u>	<u>67,180</u>	<u>351,338</u>
Total Liabilities and Fund Balances	<u><u>\$ 553,641</u></u>	<u><u>\$ 230,570</u></u>	<u><u>\$ 67,180</u></u>	<u><u>\$ 851,391</u></u>

**WASATCH COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Special Revenue</u>			
	<u>Non K-12 Programs</u>	<u>Food Services</u>	<u>Wasatch County School District Foundation</u>	<u>Total Nonmajor Governmental</u>
Revenues				
Taxes	\$ 415,620	\$ --	\$ --	\$ 415,620
Other local sources	17,873	493,279	22,807	533,959
State sources	258,291	156,575	--	414,866
Federal sources	67,926	537,019	--	604,945
Total Revenues	<u>759,710</u>	<u>1,186,873</u>	<u>22,807</u>	<u>1,969,390</u>
Expenditures				
Instructional services	--	--	16,305	16,305
Support services:				
School lunch services	--	1,160,128	--	1,160,128
Non-instructional services	744,005	--	--	744,005
Total Expenditures	<u>744,005</u>	<u>1,160,128</u>	<u>16,305</u>	<u>1,920,438</u>
Net changes in fund balances	15,705	26,745	6,502	48,952
Fund Balances at July 1, 2005	<u>114,764</u>	<u>126,944</u>	<u>60,678</u>	<u>302,386</u>
Fund Balances at June 30, 2006	<u>\$ 130,469</u>	<u>\$ 153,689</u>	<u>\$ 67,180</u>	<u>\$ 351,338</u>

**WASATCH COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
NON K-12 PROGRAMS – NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Taxes	\$ 378,000	\$ 421,659	\$ 415,620	\$ (6,039)
Other local revenues	18,411	18,411	17,873	(538)
State sources	253,561	262,561	258,291	(4,270)
Federal sources	77,904	77,904	67,926	(9,978)
Total Revenue	<u>727,876</u>	<u>780,535</u>	<u>759,710</u>	<u>(20,825)</u>
Expenditures				
Support services:				
Non-instructional services	<u>727,876</u>	<u>780,535</u>	<u>744,005</u>	<u>36,530</u>
Total Expenditures	<u>727,876</u>	<u>780,535</u>	<u>744,005</u>	<u>36,530</u>
Net changes in fund balances	--	--	15,705	15,705
Beginning Fund Balance	<u>114,764</u>	<u>114,764</u>	<u>114,764</u>	<u>--</u>
Ending Fund Balance	<u>\$ 114,764</u>	<u>\$ 114,764</u>	<u>\$ 130,469</u>	<u>\$ 15,705</u>

**WASATCH COUNTY SCHOOL DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES—WASATCH EDUCATION FOUNDATION—
NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2006
With Comparative Totals for 2005**

	<u>2006</u>	<u>2005</u>
Revenues		
Other local revenues	\$ 22,807	\$ 63,199
Total Revenue	<u>22,807</u>	<u>63,199</u>
Expenditures		
Instruction	16,305	53,772
Total Expenditures	<u>16,305</u>	<u>53,772</u>
Net changes in fund balances	6,502	9,427
Beginning Fund Balance	<u>60,678</u>	<u>51,251</u>
Ending Fund Balance	<u><u>\$ 67,180</u></u>	<u><u>\$ 60,678</u></u>

**WASATCH COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—
BUDGET AND ACTUAL—FOOD SERVICES—NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Other local revenues	\$ 465,668	\$ 495,668	\$ 493,279	\$ (2,389)
State sources	102,500	102,500	156,575	54,075
Federal sources	435,000	500,504	537,019	36,515
Total Revenue	<u>1,003,168</u>	<u>1,098,672</u>	<u>1,186,873</u>	<u>88,201</u>
Expenditures				
School lunch services	<u>1,003,168</u>	<u>1,098,672</u>	<u>1,160,128</u>	<u>(61,456)</u>
Total Expenditures	<u>1,003,168</u>	<u>1,098,672</u>	<u>1,160,128</u>	<u>(61,456)</u>
Net changes in fund balances	--	--	26,745	26,745
Beginning Fund Balance	<u>126,944</u>	<u>126,944</u>	<u>126,944</u>	<u>--</u>
Ending Fund Balance	<u>\$ 126,944</u>	<u>\$ 126,944</u>	<u>\$ 153,689</u>	<u>\$ 26,745</u>

**WASATCH COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT ACTIVITIES AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Net Assets at July 1, 2005</u>	<u>Net Change</u>	<u>Net Assets at June 30, 2006</u>
Assets:			
Cash	\$ 442,158	\$ 162,668	\$ 604,826
Liabilities:			
Due to student groups	\$ 442,158	\$ 162,668	\$ 604,826